

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Michigan Works!
Region 7B Consortium
(a governmental consortium)

Financial Report
June 30, 2006

Michigan Works! Region 7B Consortium

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Independent Auditor's Report

To the Board of Directors
Michigan Works! Region 7B Consortium

We have audited the accompanying basic financial statements of Michigan Works! Region 7B Consortium as of and for the year ended June 30, 2006. These financial statements are the responsibility of Michigan Works! Region 7B Consortium's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Works! Region 7B Consortium as of June 30, 2006 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Michigan Works! Region 7B Consortium

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006 on our consideration of Michigan Works! Region 7B Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Morse, PLLC

October 27, 2006

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis - Unaudited

Our discussion and analysis of Michigan Works! Region 7B Consortium's (the "Consortium") financial performance provides an overview of the Consortium's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Consortium's financial statements.

Financial Highlights:

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The Consortium is dependent on funding of federal and state grants. This past year, at both state and federal levels, measures had to be taken to reduce the funding levels to reduce the state and federal deficits. The Consortium is aware of continued possible cuts and continues to be proactive in addressing alternative program design. Management continues to hold several meetings with current subcontractors to assist in program design changes that would result in belt-tightening measures without disrupting services to customers. This is accomplished by some staff reduction and/or reduction of staff hours.
- The possibility of continued federal and state cuts still exists for future years. Although we believe any reduction would be minimal, management will continue to be proactive in addressing funding level changes.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Consortium as a whole and present a longer-term view of the Consortium's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and comparison to prior year costs.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Consortium's operations in more detail than the government-wide financial statements by providing information about the Consortium's most significant funds.

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis - Unaudited (Continued)

Consortium-wide Statements

The following table shows, in condensed format, the net assets for the years ended June 30, 2006 and 2005:

	2006	2005
Assets		
Current assets	\$ 1,086,408	\$ 1,134,979
Noncurrent assets	192,487	197,244
Total assets	1,278,895	1,332,223
Current Liabilities	925,812	971,751
Net Assets		
Invested in capital assets	192,487	197,244
Unrestricted	160,596	163,228
Total net assets	<u><u>\$ 353,083</u></u>	<u><u>\$ 360,472</u></u>

Below is a summary of expenditures and revenue as of June 30, 2006 and 2005:

	2006	2005
Revenue		
Grant revenue	\$ 4,893,066	\$ 4,753,098
Interest income	3,342	4,276
Total revenue	4,896,408	4,757,374
Expenditures		
Program training	3,216,370	3,211,277
Youth (in-school)	553,313	546,547
Youth (out-of-school)	250,644	262,479
Administrative	576,485	491,139
Support services	306,985	245,508
Total expenditures	4,903,797	4,756,950
Excess of Revenue over Expenditures	<u><u>\$ (7,389)</u></u>	<u><u>\$ 424</u></u>

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis - Unaudited (Continued)

Changes in Expenditures

The Consortium's administrative costs increased by 17 percent in the current year due to increases in wages of 3 percent and a merit increase given to staff this year. In addition, an addition was constructed on the administrative building and some major remodeling was done; thus increasing our monthly rental costs. This also increased the cost of all the utilities as well as new office furniture.

The Consortium's support services have increased by 25 percent due to higher unemployment in the area. In addition, we used to only pay support services with our TANF funds. The support service payments have been extended to the WIA funds to assist individuals in removing barriers to keeping and retaining employment by assisting with gas costs to get to and from work until they receive their first paycheck, providing them with their down payment for insurance, and car repairs.

Fund Budgetary Highlights

The Consortium prepares its budget on a total grant basis. Many grant years overlap the Consortium's fiscal year end. As a result, actual expenditures for the fiscal year are less than budgeted. In addition, over the course of the year, the Consortium amended the budget to take into account events during the year. Overall, the Consortium stayed below budget, resulting in total expenditures being below the budget figures. The agency did experience grant decreases but also had some grant increases. The net effect results in the Consortium receiving approximately \$70,500 less in grant awards than the prior year. Some of our funding is not awarded until late in the fiscal year. The Consortium is allowed to carry these funds into the program year beginning July 1, 2006.

Capital Assets and Long-term Debt Activity

Capital Assets - The Consortium does not own any buildings. The current value of the Consortium's equipment is \$875,061, with an accumulated depreciation of \$682,574 for a net value of \$192,487.

Long-term Debt - The Consortium does not have long-term debt.

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis - Unaudited (Continued)

Known Factors Affecting the Future Operations

The Consortium's budget for next year calls for minor changes, realizing that the federal and state government is expecting to have budget cuts. The Consortium continues to have less carry-in funds. As of July 1, 2006, the Consortium will carry in \$515,919 compared to \$641,770 for July 1, 2005. For the past four years, the State has supplemented the Welfare Reform funding with Reed Act funds. As of October 1, 2006, the Reed Act will no longer provide funds. The State has supplemented the Welfare Reform program with General Fund/General Purpose (GF/GP) funds. At this point, the Consortium continues to have approximately the same funding level as in the previous two years. The State is currently changing the rules of welfare reform, which is currently being piloted in some Michigan Works! Agencies (MWA). Region 7B is not a part of the pilot project, but is carefully watching the results of the MWAs who are piloting the new "Jet" program. Region 7B is currently planning for the changes required.

Contacting Consortium Management

This financial report is designed to provide taxpayers, creditors, investors, and customers with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the revenue it receives. If you have questions about this report or need additional information, we welcome you to contact management at P.O. Box 408, 402 First Street, Harrison, MI 48625.

Michigan Works! Region 7B Consortium

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2006

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash	\$ 855,408	\$ -	\$ 855,408
Grants receivable (Note 3)	135,359	-	135,359
Prepaid expenses	91,972	-	91,972
Advances	3,669	-	3,669
Fixed assets (Note 4)	-	192,487	192,487
Total assets	<u>\$ 1,086,408</u>	192,487	1,278,895
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 232,582	-	232,582
Deferred revenue (Note 5)	680,691	-	680,691
Accrued expenses	12,539	-	12,539
Total liabilities	925,812	-	925,812
Fund Balance - Unreserved and undesignated	<u>160,596</u>	<u>(160,596)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,086,408</u>		
Net Assets			
Invested in capital assets		192,487	192,487
Unrestricted		<u>160,596</u>	<u>160,596</u>
Total net assets		<u>\$ 353,083</u>	<u>\$ 353,083</u>

Michigan Works! Region 7B Consortium

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2006

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Grant revenue	\$ 4,893,066	\$ -	\$ 4,893,066
Interest income	3,342	-	3,342
Total revenue	4,896,408	-	4,896,408
Expenditures			
Program training	3,216,370	-	3,216,370
Youth (in-school)	553,313	-	553,313
Youth (out-of-school)	250,644	-	250,644
Administration	571,728	4,757	576,485
Support services	306,985	-	306,985
Total expenditures	4,899,040	4,757	4,903,797
Change in Fund Balance - Net assets	(2,632)	(4,757)	(7,389)
Fund Balance/Net Assets			
Beginning of year	163,228	197,244	360,472
End of year	<u>\$ 160,596</u>	<u>\$ 192,487</u>	<u>\$ 353,083</u>

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2006

Note 1 - Significant Accounting Policies

The accounting policies of Michigan Works! Region 7B Consortium (the "Consortium") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Consortium:

Reporting Entity

Michigan Works! Region 7B Consortium, which is a local unit of governmental administrative entity, is organized under Public Act 7 of 1967 as both a grant recipient and administrative entity and as approved by the governor to be designated as a local workforce investment area in the state of Michigan of the Workforce Investment Act (WIA). The Consortium was formed to prepare youth and unskilled adults for entry or reentry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in Arenac, Clare, Gladwin, Iosco, Ogemaw, and Roscommon Counties in Michigan. The Consortium is primarily supported through federal and state government grants. Approximately 90 percent of the funding is federal pass-through funds received from the State of Michigan, Department of Labor and Economic Growth.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Consortium that are to be included in the reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Michigan Works! Region 7B Consortium's basic financial statements include both government-wide (reporting the Consortium as a whole) and fund financial statements (reporting the Consortium's major fund).

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2006

Note 1 - Significant Accounting Policies (Continued)

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Michigan Works! Region 7B Consortium considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest earned on investments is recorded on the accrual basis.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Consortium has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Basis of Presentation

The Consortium reports the following major governmental fund:

General Fund - The General Fund is the operating fund of Michigan Works! Region 7B Consortium. It is used to account for all financial resources of Michigan Works! Region 7B Consortium.

Cost Allocation - Cost allocation uses the direct method for the majority of costs. Shared costs are allocated based on four general allocation methods: time, space, location, and usage.

Budget - An annual budget is prepared by management based upon anticipated grant awards and adopted by the board of directors prior to the beginning of the fiscal year. Subsequent budget amendments as caused by changes to grant award amounts are approved by the board of directors. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2006

Note 1 - Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Capital Assets - Capital assets, which include furniture and equipment, are reported in the statement of net assets. Capital assets are defined by Michigan Works! Region 7B Consortium as assets with a unit cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

Capital assets are depreciated using the straight-line method over the following useful lives:

Office furniture and equipment	5 to 15 years
--------------------------------	---------------

Equipment purchased with grant award funds is owned by Michigan Works! Region 7B Consortium while it is being used in the program for which it was purchased or in other future programs. However, the various funding sources have a reversionary interest in the equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Income Taxes - Michigan Works! Region 7B Consortium is a consortium of governments organized under Public Act 7 of 1967 and is exempt from federal income and Michigan taxes.

Deferred Revenue - Deferred revenue represents funds received by granting agencies in advance of being spent for the purpose granted.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2006

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of Michigan Works! Region 7B Consortium's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the governmental fund balance sheet and the statement of governmental fund revenue, expenditures, and change in fund balance. The following reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets are as follows:

Total Fund Balance - Governmental fund	\$	160,596
Amounts reported in the statement of net assets are different because capital assets used in governmental activities are not financial resources and are not reported in the funds		<u>192,487</u>
Total Net Assets - Full accrual basis	\$	<u><u>353,083</u></u>
Net Change in Fund Balance - Modified accrual basis	\$	(2,632)
Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeds capital outlays in the current period:		
Capital outlay	\$	60,400
Depreciation expense		<u>(65,157)</u>
		<u>(4,757)</u>
Change in Net Assets of Governmental Activities - Full accrual basis	\$	<u><u>(7,389)</u></u>

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2006

Note 3 - Grants Receivable

Grants receivable as of June 30, 2006 were as follows:

Workforce Investment Act (Dislocated Worker)	\$ 6,950
Workforce Investment Act (Administration)	15,802
Workforce Investment Act (Adult)	62,702
Reed Act (Type B)	27,003
TANF	12,266
TAA	10,560
Food stamps	<u>76</u>
Total	<u>\$ 135,359</u>

Note 4 - Equipment

Capital asset activity of Michigan Works! Region 7B Consortium's activities was as follows:

	Balance		Disposals	Balance
Governmental Activities	June 30, 2005	Additions	and Adjustments	June 30, 2006
Capital assets being depreciated -				
Furniture and equipment	\$ 829,049	\$ 60,400	\$ 14,388	\$ 875,061
Accumulated depreciation -				
Furniture and equipment	<u>631,805</u>	<u>65,157</u>	<u>14,388</u>	<u>682,574</u>
Net capital assets being depreciated	<u>\$ 197,244</u>	<u>\$ (4,757)</u>	<u>\$ -</u>	<u>\$ 192,487</u>

Note 5 - Deferred Revenue

Deferred revenue as of June 30, 2006 was as follows:

Work First	\$ 289,023
Workforce Investment Act (Youth)	39,635
Food stamps	4,672
General purpose	92,794
TAA	<u>254,567</u>
Total	<u>\$ 680,691</u>

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2006

Note 6 - Leases

Michigan Works! Region 7B Consortium has various lease rental agreements for each of the offices of Michigan Works! Region 7B Consortium. Payments on agreements during the year ended June 30, 2006 were \$269,079. Generally, the lease agreements can be canceled if Michigan Works! Region 7B Consortium funding is not approved.

Note 7 - Pension Plan

Michigan Works! Region 7B Consortium implemented a money purchase, defined contribution pension plan on January 1, 2000, covering substantially all employees. Under the plan, Michigan Works! Region 7B Consortium is required to contribute 6 percent each year of eligible employee's compensation. Pension expense was \$23,019 for 2006.

Effective February 1, 2001, Michigan Works! Region 7B Consortium implemented a defined contribution plan in which employees may contribute up to the IRS defined maximum annual limit. The employer does not contribute to the plan.

Note 8 - Deposits with Financial Institutions

Michigan Works! Region 7B Consortium's deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, Michigan Works! Region 7B Consortium's deposits may not be returned to it. Michigan Works! Region 7B Consortium does not have a deposit policy for custodial credit risk.

As of June 30, 2006, the carrying amount of the deposits for Michigan Works! Region 7B Consortium was \$855,408. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,009,021. Of that amount, \$40,158 was covered by federal depository insurance.

Due to varying cash flows, the deposits of Michigan Works! Region 7B Consortium with financial institutions may have been lower or higher during the year than at year end. Therefore, a portion of deposits may or may not have been uninsured and uncollateralized at points during the year.

Note 9 - Risk Management

Michigan Works! Region 7B Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Michigan Works! Region 7B Consortium carries commercial insurance with minimal deductibles. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2006

Note 10 - Postemployment Benefits

Michigan Works! Region 7B Consortium provides health care benefits to all full-time employees who have attained the age of 55 and completed 20 years of service, or completed 30 years of service regardless of age, upon retirement. Currently, three retirees are eligible. Michigan Works! Region 7B Consortium includes retirees in its insured health care plan with no contribution required for the retiree's health care costs up to a 10 percent increase in costs from the time of retirement. Retirees' dependents may be added to the plan at the cost of the retiree. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$16,200.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Required Supplemental Information

Michigan Works! Region 7B Consortium

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Grant revenue	\$ 6,193,643	\$ 6,487,297	\$ 4,893,066	\$ (1,594,231)
Interest income	-	-	3,342	3,342
Total revenue	6,193,643	6,487,297	4,896,408	(1,590,889)
Expenditures				
Program training	4,282,633	4,543,291	3,216,370	(1,326,921)
Youth (in-school)	595,435	601,252	553,313	(47,939)
Youth (out-of-school)	255,184	257,658	250,644	(7,014)
Administration	788,138	814,343	571,728	(242,615)
Support services	272,253	270,753	306,985	36,232
Total expenditures	6,193,643	6,487,297	4,899,040	(1,588,257)
Excess of Expenditures Over Revenue	-	-	(2,632)	(2,632)
Fund Balance - Beginning of year	163,228	163,228	163,228	-
Fund Balance - End of year	<u>\$ 163,228</u>	<u>\$ 163,228</u>	<u>\$ 160,596</u>	<u>\$ (2,632)</u>

Michigan Works! Region 7B Consortium

**Federal Awards
Supplemental Information
June 30, 2006**

Michigan Works! Region 7B Consortium

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Independent Auditor's Report

To the Board of Directors
Michigan Works! Region 7B Consortium

We have audited the basic financial statements of Michigan Works! Region 7B Consortium for the year ended June 30, 2006 and have issued our report thereon dated October 27, 2006. Those basic financial statements are the responsibility of the management of Michigan Works! Region 7B Consortium. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Michigan Works! Region 7B Consortium taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 27, 2006



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Michigan Works! Region 7B Consortium

We have audited the financial statements of Michigan Works! Region 7B Consortium as of and for the year ended June 30, 2006 and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Michigan Works! Region 7B Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan Works! Region 7B Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Michigan Works! Region 7B Consortium

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 27, 2006



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Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Board of Directors
Michigan Works! Region 7B Consortium

Compliance

We have audited the compliance of Michigan Works! Region 7B Consortium with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The major federal program of Michigan Works! Region 7B Consortium is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable its major federal program is the responsibility of Michigan Works! Region 7B Consortium's management. Our responsibility is to express an opinion on Michigan Works! Region 7B Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Michigan Works! Region 7B Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Michigan Works! Region 7B Consortium's compliance with those requirements.

In our opinion, Michigan Works! Region 7B Consortium complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

To the Board of Directors
Michigan Works! Region 7B Consortium

Internal Control Over Compliance

The management of Michigan Works! Region 7B Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Michigan Works! Region 7B Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 27, 2006

Michigan Works! Region 7B Consortium

Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Award Amount	Federal Expenditures
Clusters:			
Food Stamp Cluster - U.S. Department of Agriculture - Michigan Department of Labor and Economic Growth:			
Food stamps	10.561	\$ 100,516	\$ 39,971
Food stamps	10.561	70,698	70,698
Food stamps - Support services	10.561	2,188	76
Food stamps - Support services	10.561	707	19
Total Food Stamp Cluster		174,109	110,764
Employment Service Cluster - U.S. Department of Labor - Michigan Department of Labor and Economic Growth:			
Employment service	17.207	222,021	222,021
Re-employment service	17.207	22,540	22,540
Total Employment Service Cluster		244,561	244,561
WIA Cluster - U.S. Department of Labor - Michigan Department of Labor and Economic Growth:			
WIA - ADULT	17.258	861,310	602,918
WIA - ADULT	17.258	213,102	213,102
WIA - YOUTH	17.259	798,151	758,516
WIA - YOUTH	17.259	60,779	60,779
WIA - DISLOCATED WORKER	17.260	641,140	542,748
WIA - DISLOCATED WORKER	17.260	178,940	178,940
WIA - ADMINISTRATION	17.258-17.259-17.260	255,621	152,344
WIA - ADMINISTRATION	17.258-17.259-17.260	188,949	188,949
WIA - STATE WIDE ONE STOP - TYPE A	17.258-17.259-17.260	44,897	44,897
WIA - STATE WIDE - TYPE E	17.258-17.259-17.260	24,000	24,000
WIA - INCENTIVE - TYPE D	17.258-17.259-17.260	28,009	12,506
WIA - INCENTIVE - TYPE D	17.258-17.259-17.260	27,923	27,923
WIA - STATE WIDE - TYPE W INCUMBENT WORKER	17.258-17.259-17.260	7,049	7,049
WIA - STATE WIDE - TYPE R INCUMBENT WORKER	17.258-17.259-17.260	32,711	32,711
WIA - DW NATIONAL RESERVE	17.260	1,959	1,959
WIA - DW NATIONAL RESERVE - ADM TYPE C	17.260	217	217
Total WIA Cluster		3,364,757	2,849,558
Other federal awards:			
U.S. Department of Labor - Michigan Department of Labor and Economic Growth:			
TRADE - TYPE A FUND 57	17.245	234,111	191,656
TRADE - TYPE A FUND 57	17.245	42,583	42,583
Total 17.245		276,694	234,239

Michigan Works! Region 7B Consortium

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Award Amount	Federal Expenditures
Other federal awards (Continued):			
U.S. Department of Health and Human Services - Michigan			
Department of Labor and Economic Growth:			
Work First - TANF	93.558	\$ 1,150,848	\$ 392,961
Work First - TANF	93.558	672,819	672,819
FIA-WF-SS-TYPE C	93.558	36,000	12,266
FIA-WF-SS-TYPE C	93.558	2,639	2,639
TANF - TTW	93.558	-	-
TANF - TTW	93.558	1,219	1,219
Total 93.558		1,863,525	1,081,904
Michigan Department of Labor and Economic Growth:			
Reed Act - TYPE A	NA	50,479	27,003
Reed Act - TYPE A	NA	115,680	115,680
Reed Act - TYPE B	NA	-	-
Total Reed Act		166,159	142,683
Total federal expenditures		<u>\$6,089,805</u>	<u>\$4,663,709</u>

Michigan Works! Region 7B Consortium

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Michigan Works! Region 7B Consortium and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Workforce Investment Act - ADULT	17.258	\$	387,554
Workforce Investment Act - YOUTH	17.259		637,187
Workforce Investment Act - DISLOCATED WORKER	17.260		379,333
Workforce Investment Act - INCUMBENT TYPE A	17.258		37,715
Work First	93.558		516,928
Employment services	17.207		120,657
Reemployment services	17.207		17,904
Food stamps	10.561		57,966
Reed Act	N/A		69,869
Total		\$	<u>2,225,113</u>

Michigan Works! Region 7B Consortium

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Note 3 - Reconciliation of Schedule of Expenditures of Federal Awards

A reconciliation of the schedule of expenditures of federal awards to the General Fund financials, as presented in the general purpose financial statements (GPFS), is as follows:

Total expenditures per GPFS	<u>\$ 4,899,040</u>
Expenditures per the schedule of expenditures of federal awards	\$ 4,663,709
Expenditures made from other funding sources	228,814
Depreciation expense	<u>6,517</u>
Total	<u>\$ 4,899,040</u>

Michigan Works! Region 7B Consortium

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
17.258-17.259-17.260	Workforce Investment Act

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Michigan Works! Region 7B Consortium

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None



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October 27, 2006

To the Board of Directors
Michigan Works! Region 7B

In planning and performing our audit of the financial statements for Michigan Works! Region 7B Consortium for the year ended June 30, 2006, we considered the Consortium's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

We would like to express our gratitude to Mark Berdan and Shirley Eichenberg and all the staff for the cooperation we received during our audit of the Consortium's financial statements for the year ended June 30, 2006.

This report is intended solely for the information and use of the Consortium board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Robert Brazda".

Bob Brazda, CPA
Partner

Bank Reconciliation Policy - Bank account reconciliations to the general ledger are not dated and therefore it cannot be determined if they are completed in a timely manner. We did not note a reviewer signature on the actual reconciliation. We recommend that the Consortium implement a formal bank reconciliation policy to include preparer and reviewer signatures and dates upon completion. We recommend the preparer sign off and date the reconciliation on the date it was prepared and the reviewer sign off on the date it was reviewed in order to ensure timely bank reconciliations are completed.

Journal Entries - Currently, there is no formal approval process for manual journal entries. There are two employees able to post journal entries and they review each other's postings. We recommend instituting a journal entry policy that requires preparer and reviewer signatures and dates upon completion. Manual journal entries are a high risk factor for financial misstatement. Therefore, implementing this policy would improve the documentation of controls already in place.